

U.S. Business Enterprises Acquired or Established by Foreign Direct Investors in 1979

IN response to heightened public interest, BEA recently initiated a survey to obtain data on U.S. business enterprises newly acquired or established by foreign direct investors. This article presents preliminary results of the survey for 1979.

Highlights of this article are:

- In 1979, foreign direct investors, either directly or through their U.S. affiliates, acquired or established 792 U.S. business enterprises at a total cost of \$11.5 billion.
- Investment outlays to acquire existing U.S. business enterprises were \$10.4 billion; those to establish new U.S. business enterprises were \$1.1 billion. U.S. affiliates accounted for \$9.5 billion and foreign direct investors for \$2.0 billion of investment outlays.
- Investment outlays were \$4.0 billion in petroleum, \$2.7 billion in manufacturing, \$1.5 billion in real estate, and \$0.9 billion each in banking and insurance.
- When classified by the country of the foreign parent—i.e., the country of the first foreign person in the own-

ership chain of the acquired or established business enterprise—investment outlays were heavily concentrated among parents in developed countries, mainly Germany, the Netherlands, and the United Kingdom. Among parents in developing countries, those in the Netherlands Antilles accounted for the highest investment outlays.

- When classified by the country of ultimate beneficial owner, investment outlays of Netherlands Antilles investors were much lower and those of Middle East investors much higher than when classified by the country of the foreign parent.
- U.S.-source funds financed nearly one-half of total investment outlays.
- Total assets of all acquired and established U.S. business enterprises were \$29.6 billion, of which \$12.8 billion was in banking and \$4.2 billion each in petroleum and manufacturing.
- Acquired enterprises had total assets of \$27.4 billion and sales of \$19.3 billion; they employed 283,000 persons and owned 125,000 acres of U.S. land.
- Established enterprises had total assets of \$2.0 billion and owned 285,000 acres of U.S. land.

Two types of foreign direct investment were covered in the survey: (1) acquisitions of existing U.S. business enterprises, including business segments or operating units of existing

U.S. business enterprises, and (2) establishments of new U.S. business enterprises.¹ Ownership of real estate for profitmaking purposes is considered a business enterprise. An investment may be made either by a foreign direct investor itself, in which case a foreign person obtains a direct ownership interest in the acquired or established enterprise, or by a U.S. affiliate of a foreign direct investor, in which case the foreign direct investor obtains an indirect ownership interest.

The survey covered investments in U.S. business enterprises that had total assets of over \$500,000 or that owned at least 200 acres of U.S. land at the time of acquisition or establishment. Investments not meeting either of these criteria had to be reported, but only limited information was required, primarily for identification purposes. For 1979, 640 such "partially exempt" investments were reported; total assets of the U.S. business enterprises acquired or established were \$86 million.

The remainder of this article is divided into two major sections. The first discusses investment transactions, including their number and type, their cost to investors, and the means by which they were financed. The second presents data on the operations of the U.S. business enterprises acquired or established. A technical note at the end of the article explains the relationship of the data on acquisitions and estab-

Data presented in this article are from a new BEA survey on acquisitions and establishments of U.S. business enterprises by foreign direct investors. Although BEA made every effort to insure timely filing by reporters, a significant number of 1979 transactions—several of which were substantial in dollar terms—were reported late. There was insufficient time to review and edit late reports without further delaying publication of the available data. Revised data for 1979, incorporating late reports, will be published in a forthcoming article on 1980 transactions.

NOTE.—This survey was conducted under the supervision of James L. Bomkamp, Chief, Direct Investment in the United States Branch, International Investment Division. Joseph F. Cherry was project leader for editing and processing the forms. Richard Maury designed the computer programs for data retrieval and analysis.

1. Foreign direct investment in the United States is the ownership or control, directly or indirectly by one foreign person, of 10 percent or more of the voting securities of an incorporated U.S. business enterprise or an equivalent interest in an unincorporated U.S. business enterprise. A foreign person is any individual, branch, partnership, association, trust, corporation, government, or government agency resident outside the United States.

ishments to other BEA data on foreign direct investment in the United States.

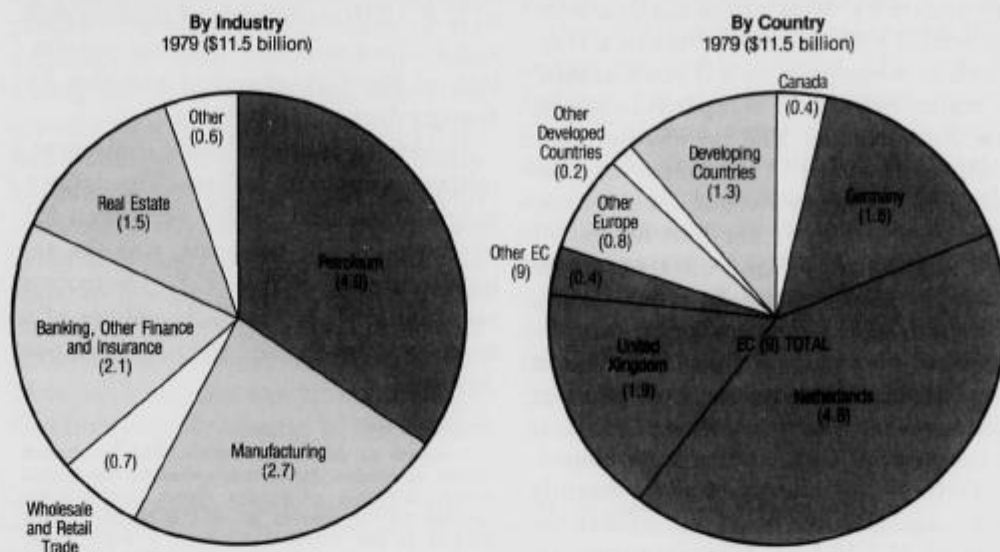
Investment Transactions²

In 1979, foreign direct investors directly or indirectly acquired or established 792 U.S. business enterprises (table 1). Investment outlays—the cost to investors of the equity interests acquired or established—were \$11.5 billion. About one-half of this total was associated with investments made in the fourth quarter of the year.

The 792 investments were rather evenly divided between acquisitions and establishments—389 and 403, respectively. However, the cost of the acquisitions—\$10.4 billion—was much higher than that of the establishments—\$1.2 billion. Of the acquisitions, 12 cost more than \$100 million each and together they accounted for well over one-half of total investment outlays. Of the establishments, only 15 cost more than \$10 million, and none exceeded \$100 million.

The much higher cost of acquisitions was attributable to two factors. First, the cost of acquiring an existing business (which may have substantial assets in place) is typically higher than the cost of establishing a new business (which may require only limited initial capitalization). Second, purchases of U.S. land, which generally involve

Investment Outlays, by Industry of Acquired or Established U.S. Business Enterprise and by Country of Foreign Parent*



*The foreign parent is the first foreign person in the ownership chain of the acquired or established U.S. business enterprise. Classification is based on the country of the foreign parent with the largest ownership interest.

U.S. Department of Commerce, Bureau of Economic Analysis

lower costs than those of other business investments, accounted for about 80 percent of all establishments in 1979.

The 792 investments were made by 883 investors—533 foreign direct investors and 350 U.S. affiliates.³ Most investments by foreign direct investors were for establishing new U.S. business enterprises; most investments by U.S. affiliates were for acquiring existing U.S. business enterprises. U.S. affiliates accounted for over 80 percent of total investment outlays.

In the following discussion of industry and country patterns, primary emphasis is given to investment outlays rather than to the number of investments or investors. Outlays indicate the size and economic impact of the investments; the number of investments or investors indicates the frequency of investment in a given industry or country

cell, but may have little or no relationship to the size or economic impact of the investments.

Industry

Table 2 shows the number of investments and investors and the amount of investment outlays classified by the in-

Table 1.—Number of Investments and Investors and Amount of Investment Outlays, 1979

	Number	Investment outlays (millions of dollars)
Investment, total	792	11,532
Acquisitions.....	389	10,382
Establishments.....	403	1,151
Investors, total	883	11,532
Acquisitions.....	415	10,382
Establishments.....	468	1,151
Foreign direct investors, total	533	2,062
Acquisitions.....	151	1,114
Establishments.....	382	938
U.S. affiliates, total	350	9,461
Acquisitions.....	264	9,268
Establishments.....	86	213
Addendum: Number of investments and amount of investment outlays by quarter—		
I.....	162	1,425
II.....	179	2,827
III.....	177	1,671
IV.....	274	5,610

2. The data shown in tables 1-3 are affected by the structure of investment transactions. For example, a foreign direct investor may establish a U.S. holding company for the purpose of acquiring a U.S. business enterprise. If the establishment and acquisition were made simultaneously, or if it was made clear to REA that they were both the results of a single investment decision, only a single report, reflecting the acquisition of a U.S. business enterprise by a foreign direct investor, would be required. In this case, the effect on the data would be the same as if the foreign direct investor acquired the enterprise directly, without first establishing the holding company. If either of the above conditions was not met, however, the data in tables 1-3 may reflect two investments, the establishment of a U.S. holding company by a foreign direct investor and the acquisition of a U.S. enterprise by a U.S. affiliate, i.e., the holding company. (The establishment of the holding company would be included in the data only if that transaction met BEA's reporting requirements for a full—rather than partial—report.) The data on source of financing in table 5, discussed below, could also be affected by the structure of investment transactions, because sources of funds are broken down by immediate source to the reporting entity.

3. The number of investors was larger than the number of investments, because more than one investor may participate in a given investment. For example, if two foreign direct investors, or a foreign direct investor and one of its U.S. affiliates, jointly acquire direct investment equity interests in the same U.S. business enterprise, each investor is counted separately.

An investor making more than one investment during the year is counted once for each separate investment.

dustry of the U.S. business enterprise in which the investment was made.

Investment outlays in petroleum, \$4.0 billion, were the highest for any industry (chart 9). Most of the outlays were associated with the acquisition of a U.S. petroleum company by a U.S. affiliate of a major petroleum company based in the Netherlands. The acquisition cost mainly reflected the value of the acquired company's crude oil reserves, which consisted of tar-like heavy oil and high-quality light oil trapped in geological formations. In recent years, the value of the reserves had risen substantially because of sharp increases in world petroleum prices and because processes necessary to extract the oil on a commercial basis had been developed.

Outlays in manufacturing—mainly for acquisitions by U.S. affiliates—totaled \$2.7 billion. Manufacturing industries with the highest outlays were chemicals, electric, and electronic equip-

ment, and "other" manufacturing. The \$0.5 billion of outlays in chemicals was almost entirely accounted for by acquisitions by U.S. affiliates. The existence of U.S. affiliates capable of making such acquisitions reflected previous penetration of the U.S. chemical industry by foreign direct investors.⁴

In electric and electronic equipment, outlays were \$0.6 billion. The largest single investment, which accounted for over one-half of the total, was the acquisition of a major U.S. electronics manufacturer by the U.S. affiliate of a company based in the Netherlands Antilles.

4. Based on data from BHA's 1974 benchmark survey of foreign direct investment in the United States; affiliates of foreign direct investors accounted for 13 percent of all U.S.-business gross product in the chemical industry, a much larger share than in any other U.S. manufacturing industry. See Ned G. Rowenstone, "Gross Product of U.S. Affiliates of Foreign Companies," in the January 1979 issue of the SURVEY OF CURRENT BUSINESS.

In "other" manufacturing, outlays of \$0.8 billion were spread over a number of subindustries. Two acquisitions in motor vehicles and parts manufacturing—one for control of a U.S. parts maker by the U.S. affiliate of a Swiss company, the other for a minority interest in a U.S. truck manufacturer by a French auto company—accounted for about 25 percent of the total. Acquisitions of U.S. firms in stone and clay products accounted for another 20 percent. Major investments were also made in U.S. firms in plastics, printing, and photographic equipment.

In both banking and insurance, outlays were about \$0.9 billion. In banking, two acquisitions by U.S. affiliates of British banks accounted for most of the total. In insurance, three acquisitions accounted for most of the total; two were by a German-owned U.S. affiliate, and the third was by a Dutch-owned U.S. affiliate.

Table 2.—Number of Investments and Investors and Amount of Investment Outlays, 1979, by Industry of U.S. Business Enterprise

	Number of investments			Number of investors			Investment outlays				
	Total	Acquisitions	Establishments	Total	Foreign direct investors	U.S. affiliates	Total	By type of investment		By type of investor	
								Acquisitions	Establishments	Foreign direct investors	U.S. affiliates
	Number						Millions of dollars				
All industries.....	182	325	493	553	633	359	11,522	14,381	1,151	2,062	9,481
Agriculture and forestry.....	52	10	24	54	63	12	95	46	44	57	27
Mining.....	18	20	8	18	9	9	189	304	85	49	140
Petroleum.....	40	20	11	48	31	25	3,966	3,960	28	47	3,942
Manufacturing.....	179	137	35	192	65	117	2,725	2,692	36	515	2,210
Food and kindred products.....	28	17	2	28	7	13	243	(*)	(*)	(*)	(*)
Paper and allied products.....	1	1	0	1	1	0	(*)	(*)	6	(*)	0
Chemicals and allied products.....	30	25	5	22	7	26	514	(*)	(*)	(*)	(*)
Industrial.....	12	11	2	16	4	11	224	234	1	1	224
Drugs.....	7	6	1	7	1	5	282	232	(*)	4	228
Other.....	19	8	2	11	2	9	79	(*)	(*)	(*)	(*)
Primary metal industries.....	30	7	2	19	5	2	180	(*)	(*)	(*)	(*)
Fabricated metal products.....	24	10	7	28	12	14	217	242	15	117	109
Machinery, except electrical.....	15	12	2	18	8	12	111	(*)	(*)	(*)	(*)
Electric and electronic equipment.....	25	10	4	22	8	17	625	625	7	15	617
Other.....	44	34	8	38	18	32	738	722	30	145	605
Wholesale trade.....	45	35	18	48	15	32	302	283	49	52	250
Motor vehicles and automotive parts and supplies.....	6	5	0	6	0	5	51	51	8	0	51
Metals and minerals.....	7	6	1	7	3	4	99	67	2	(*)	(*)
Farm-product raw materials.....	1	0	1	3	0	0	(*)	0	(*)	(*)	0
Other.....	32	24	8	38	9	28	264	125	48	(*)	(*)
Retail trade.....	16	12	2	17	6	11	400	(*)	(*)	103	306
Banking.....	5	7	1	8	5	8	917	926	1	(*)	(*)
Finance, except banking.....	5	3	5	9	6	8	262	(*)	(*)	(*)	(*)
Insurance.....	5	6	2	9	4	5	(*)	(*)	2	(*)	(*)
Real estate and combined offices.....	300	102	285	440	325	115	1,477	687	799	960	518
Other.....	39	26	11	42	26	17	(*)	262	(*)	(*)	174

* Less than \$500,000.

† Suppressed to avoid disclosure of data of individual companies.

Investment outlays in real estate were \$1.5 billion, 13 percent of the 1979 total. However, in terms of numbers, nearly one-half of 1979 investments were in this industry. These investments primarily reflected purchases of unimproved U.S. land (classified as establishments) and of commercial and residential properties for profitmaking purposes (classified as acquisitions).⁵ Many of the investments were made by foreign individuals rather than business firms.

5. Purchases of U.S. agricultural land were classified in the agriculture and forestry industry unless the intent of the purchaser was to use the land for nonagricultural purposes or to lease the land to others; in the latter cases, the purchases were classified in real estate.

Country of foreign parent

In table 3, data are classified by the country of the foreign parent. The foreign parent is defined as the first foreign person in the ownership chain of the acquired or established U.S. business enterprise. If an investment was made directly by a foreign person, i.e., by the foreign direct investor itself, the investor and the foreign parent are the same.

As noted earlier, an investment in a given U.S. business enterprise may be made by several investors together. The country of the foreign parent associated with each of these investors may differ. If so, each investor can be classified individually by the country of the foreign

parent. However, the investment, i.e., the acquired or established enterprise, which is not divisible, can be classified only by the country of one foreign parent. BEA classifies investments by the country of that foreign parent with the largest ownership interest (direct and indirect) in the U.S. business enterprise. The first panel of table 3 (columns 1-6) shows the number of investments and the amount of investment outlays classified by the country of the foreign parent with the largest investment; the second panel (column 7-14) shows the number of investors and the amount of their investment outlays classified by the country of each foreign parent. There were only a few invest-

Table 3.—Number of Investments and Investors and Amount of Investment Outlays, 1979, by Country of Foreign Parent¹

	By country of foreign parent with largest investment ²						By country of each foreign parent ³							
	Number of investments			Investment outlays			Number of investors			Investment outlays				
	Total	Acquisitions	Establishments	Total	Acquisitions	Establishments	Total	Foreign direct investors	U.S. affiliates	Total	By type of investment		By type of investor	
											Acquisitions	Establishments	Foreign direct investors	U.S. affiliates
	Number			Millions of dollars			Number			Millions of dollars				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
All countries.....	792	389	403	11,332	10,382	1,151	863	333	350	11,432	10,382	1,151	2,062	9,421
Developed countries.....	516	256	260	10,188	9,590	599	594	219	321	10,063	9,585	578	1,272	8,812
Canada.....	91	43	48	400	242	157	126	43	56	426	290	136	761	245
Europe.....	380	245	135	9,589	9,108	381	428	183	233	8,615	8,126	389	1,000	8,443
European Communities (6).....	322	206	116	8,806	8,441	365	369	164	205	8,772	8,405	365	873	7,898
Belgium and Luxembourg.....	16	10	6	115	113	2	17	8	8	113	113	(P)	(P)	94
France.....	21	17	4	243	236	7	22	11	11	265	199	12	84	131
Germany.....	124	76	48	1,763	1,642	121	143	73	70	1,760	1,607	153	388	1,472
Italy.....	1	0	1	1	1	0	2	2	0	(P)	5	(P)	(P)	6
Netherlands.....	70	35	35	4,781	4,639	110	80	34	46	4,743	4,537	107	206	4,535
Denmark and Iceland.....	6	0	0	0	0	0	0	0	0	0	0	0	0	0
United Kingdom.....	88	07	21	1,895	1,807	88	95	35	60	1,899	1,861	38	604	1,770
Other Europe.....	04	47	17	793	728	28	07	20	38	718	721	25	190	550
Sweden.....	10	5	2	89	80	(P)	10	1	8	87	87	(P)	(P)	(P)
Switzerland.....	36	23	13	617	590	23	35	15	22	611	591	20	138	473
Other.....	28	14	4	47	43	4	20	12	7	48	43	5	(P)	(P)
Japan.....	36	16	18	194	167	40	41	22	19	198	167	40	(P)	(P)
Australia, New Zealand, and South Africa.....	5	4	1	25	23	1	5	3	3	23	23	1	(P)	(P)
Developing countries.....	274	69	205	1,344	792	852	303	274	28	1,369	816	653	788	589
Latin America.....	262	61	191	1,284	760	515	278	251	25	1,309	794	515	736	573
Panama.....	13	1	12	14	1	13	13	12	1	14	1	14	14	1
Bahamas.....	1	0	1	4	0	4	1	1	0	4	0	4	4	0
Bermuda and British Islands, Caribbean.....	21	8	13	50	25	23	21	15	6	34	11	23	(P)	(P)
Netherlands Antilles.....	206	48	158	1,085	635	453	232	217	15	1,129	675	454	621	698
Other.....	9	8	5	127	107	20	9	8	3	127	107	20	(P)	(P)
Other Developing.....	22	8	14	81	29	38	27	23	4	80	22	38	44	16
Israel.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Middle East.....	14	5	9	46	10	28	14	11	3	46	19	28	(P)	(P)
Other Africa, Asia, and Pacific.....	5	8	5	14	4	10	13	12	1	14	4	10	(P)	(P)
Appendix: OPEC.....	16	5	11	47	19	29	16	13	3	47	19	29	(P)	(P)

¹ Less than \$500,000.

² Suppressed to avoid disclosure of data of individual companies.

³ The foreign parent is the first foreign person in the ownership chain of the acquired or established U.S. business enterprise.

⁴ Each investment, i.e., the established or acquired U.S. business enterprise, and its cost, is classified by the country of the foreign parent with the largest ownership interest.

⁵ Each investor, and each investor's outlay, is classified by the country of each individual foreign parent.

ments with more than one country of foreign parent; in all such cases, investment outlays were small. Thus, the distributions of outlays are very similar in the two panels of table 3. The following discussion focuses on the second panel of the table, in which outlays are classified by the country of each foreign parent.

Almost 90 percent—\$10.2 billion—of total investment outlays in 1979 were accounted for by foreign parents in developed countries. This concentration reflected the fact that these countries are the home countries of most of the large foreign multinational business firms with sufficient financial strength to undertake major acquisitions in the United States, either directly or through their U.S. affiliates. For all de-

veloped countries combined—and for most individual developed countries and country groups shown in the table—acquisitions by U.S. affiliates accounted for the bulk of investment outlays.

Foreign parents in the Netherlands accounted for by far the most investment outlays—\$4.7 billion. Most of this amount was associated with the petroleum acquisition discussed above. Dutch parents, mainly through U.S. affiliates, also made substantial acquisitions in insurance, banking, real estate, and manufacturing (especially food and "other").

British parents accounted for \$1.9 billion of outlays. Nearly one-half reflected the two previously mentioned acquisitions in banking, a U.S. industry

in which British investors historically have had a strong presence. Other British investments (mainly acquisitions) were scattered across a wide range of industries, with the largest in finance, except banking, real estate, and manufacturing (especially food, fabricated metals, and "other").

German parents accounted for \$1.8 billion of outlays. Almost one-third of the total reflected acquisitions of two insurance companies by a U.S. affiliate. In addition, a large U.S. conglomerate, in which a German parent held a minority interest, made several acquisitions in 1979—principally in petroleum, chemicals, and retail trade. Most of the acquired companies were merged into the operations of the U.S. affiliate. Other large German investments were in real estate, retail trade, construction, and manufacturing (especially chemicals, primary metals, electric and electronic equipment, and "other").

Parents in developing countries accounted for \$1.4 billion of outlays. About 40 percent of the total was for establishment of new U.S. business enterprises—mainly purchases of U.S. real estate. Of the \$1.4 billion, more than 80 percent was accounted for by parents in the Netherlands Antilles. Outlays accounted for by parents in member states of the Organization of Petroleum Exporting Countries (OPEC) were small—\$47 million.

Country of ultimate beneficial owner

In this section, the distribution of the number of investors and the amount of investment outlays by the country of the foreign parent is compared with the distribution by the country of the ultimate beneficial owner (UBO). As previously noted, the foreign parent is the first foreign person in the ownership chain of the acquired or established U.S. business enterprise. The UBO is that person in the ownership chain, beginning with the foreign parent, that is not owned more than 50 percent by another person. If the foreign parent is not owned more than 50 percent by another person, the foreign parent and the UBO are the same.

Table 4.—Number of Investors and Amount of Investment Outlays, 1979, by Country of Foreign Parent¹ and by Country of Ultimate Beneficial Owner²

	Number of investors			Investment outlays		
	By country of foreign parent ¹	By country of ultimate beneficial owner ²	Difference	By country of foreign parent ¹	By country of ultimate beneficial owner ²	Difference
	Number	Number		Millions of dollars	Millions of dollars	
All countries.....	883	883	0	11,521	11,521	0
Developed countries.....	580	519	35	10,164	10,319	147
Canada.....	208	111	3	420	431	5
Europe.....	420	402	30	9,518	9,698	141
European Communities (9).....	259	275	16	8,772	8,850	84
Belgium and Luxembourg.....	17	17	0	(b)	(b)	(b)
France.....	22	22	0	205	205	0
Germany.....	143	149	5	1,740	1,890	46
Italy.....	2	2	1	(b)	(b)	(b)
Netherlands.....	58	74	-16	4,743	4,738	5
Denmark and Ireland.....	8	1	7	0	5	-5
United Kingdom.....	85	110	-25	1,030	1,839	-809
Other Europe.....	67	67	0	748	884	-136
Sweden.....	10	10	0	87	87	0
Switzerland.....	38	54	-16	611	663	-52
Other.....	10	23	-13	46	54	-8
Japan.....	41	62	-21	190	198	-8
Australia, New Zealand, and South Africa.....	5	4	1	23	23	0
Developing countries.....	303	364	-61	1,357	1,202	155
Latin America.....	270	181	89	1,308	1,043	265
Panama.....	13	12	1	14	15	-1
Bahamas.....	1	5	-4	4	5	-1
Bermuda and British Islands.....	21	15	6	34	25	9
Caribbean.....	232	122	110	1,128	752	376
Netherlands Antilles.....	0	20	-20	127	148	-21
Other.....	27	80	-53	50	267	-217
Other developing.....	0	0	0	0	0	0
Israel.....	14	48	-34	48	221	-173
Other Middle East.....	13	32	-19	14	26	-12
Other Africa, Asia, and Pacific.....	0	2	-2	0	12	-12
United States.....	9	2	7	0	0	0
Additional:						
OPEC.....	16	43	-27	47	229	-182

¹ Suppressed to avoid disclosure of data of individual companies.

² The foreign parent is the first foreign person in the ownership chain of the acquired or established U.S. business enterprise. Classification is based on the country of each individual parent.

³ The ultimate beneficial owner is that person in the ownership chain of the acquired or established U.S. business enterprise, beginning with the foreign parent, that is not owned more than 50 percent by another person.

The country of the UBO may be a foreign country or the United States and may differ from the country of the foreign parent. Advantages to beneficial owners of holding investments indirectly through other countries include minimization of taxes, avoidance of regulatory constraints, and protection of privacy.

Information from BEA's new survey, supplemented by other information, enabled the UBO and its country to be identified for most 1979 investments. Of the 983 investors with investment outlays of \$11.5 billion, a UBO was identified for investments of 778 investors with outlays of \$10.9 billion.⁶ In most cases, the countries of the UBO and the foreign parent were the same; they differed for investments of only 154 investors with outlays of \$0.5 billion.

Table 4 shows distributions of the number of investors and amount of investment outlays by the country of the foreign parent and by the country of the UBO. In cases where the UBO could not be identified, the country of the UBO and of the foreign parent were assumed to be the same.

Among the countries and country groups in the table, three—the Netherlands; Bermuda and British Islands; Caribbean; and the Netherlands Antilles—had lower outlays when the data were classified by the country of the UBO. The difference for the Netherlands Antilles was substantial; one-third of outlays (and almost one-half of the number of investors) classified by foreign parent in the Netherlands Antilles was associated with UBO's in other countries.

Countries that had significantly higher outlays when the data were classified by the country of the UBO were Germany, Switzerland, and Middle East countries other than Israel. By far the largest difference was for "other" Middle East countries, primarily OPEC members. When classified by the country of the UBO, outlays associated with

"other" Middle East countries were five times as high (\$231 million compared with \$46 million); the number of investors was more than three times as high (48 compared with 14).

Although "other" Middle East investment outlays were substantially higher when classified by the country of the UBO, they accounted for only 2 percent of total outlays in 1979. Most of the outlays were to purchase U.S. real estate.

Source of financing

Table 5 shows investment outlays disaggregated by source of financing. U.S. sources of funds consist of: (1) internally generated funds of the U.S. affiliates making investments; (2) funds from affiliated U.S. persons (which, for investments by a U.S. affiliate, are funds supplied by other U.S. affiliates of its foreign parent); (3) funds borrowed from unaffiliated U.S. persons; and (4) other U.S. sources of funds. Foreign sources of funds consist of: (1) internally generated funds of foreign direct investors making investments; (2) other funds from foreign direct investors (which are funds supplied by foreign direct investors to U.S.

affiliates making investments); (3) funds borrowed from unaffiliated foreigners; and (4) other foreign sources of funds. All funds are categorized by the investor's immediate source, rather than by original source. Thus, for example, "other funds from foreign direct investors" may include funds that originally were internally generated by the foreign direct investors or borrowed by the foreign direct investor from unaffiliated foreign sources.

U.S.-source funds, at \$5.3 billion, financed 46 percent of total investment outlays in 1979.⁷ Of this amount, \$3.4 billion was borrowed directly by investors from unaffiliated U.S. persons—\$0.2 billion from U.S. sellers of shares in the U.S. business enterprises and \$3.2 billion from other unaffiliated U.S. persons, mainly financial institutions. Most of the remainder was provided by internally generated funds of U.S. affiliates making investments (\$1.1 billion)

7. Financing of the large acquisition in petroleum by a U.S. affiliate—mainly through borrowing from unaffiliated U.S. and foreign sources—had a major impact on the distribution of investment cost by source of financing shown in table 5. If that investment is eliminated from the data, U.S.-source funds financed 32 percent, rather than 46 percent, of total outlays.

Table 5.—Investment Outlays, 1979, by Source of Financing

(Millions of dollars)

Line		Total	By type of investment		By type of investor	
			Acquisitions	Establishments	Foreign direct investors	U.S. affiliates
1	All sources of funds.....	11,532	10,382	1,151	2,062	9,481
2	U.S. sources, total.....	5,295	4,827	478	527	4,788
3	Internally generated funds of U.S. affiliates making investments.....	1,075	1,080	45	(*)	1,075
4	Funds from affiliated U.S. persons.....	581	586	25	6	555
5	Funds borrowed from unaffiliated U.S. persons, total.....	3,380	3,013	368	998	2,926
6	Funds from U.S. sellers of shares.....	191	191	(*)	25	165
7	Other.....	3,190	2,822	368	973	2,754
8	Other U.S. sources.....	270	268	40	61	219
9	Foreign sources, total.....	6,236	5,563	673	1,534	4,733
10	Internally generated funds of foreign direct investors making investments.....	1,229	709	520	1,229	(*)
11	Other funds from foreign direct investors.....	2,313	3,249	64	(*)	3,313
12	Funds borrowed from unaffiliated foreigners.....	1,827	1,654	73	231	1,307
13	Funds from foreign sellers of shares.....	18	18	(*)	9	1
14	Other.....	1,617	1,544	73	222	1,395
15	Other foreign sources.....	67	31	18	64	3
Addenda:						
16	Funds from affiliated U.S. persons that were originally borrowed from unaffiliated U.S. persons (part of line 4).....	173	172	1	(*)	173
17	Funds from foreign direct investors that were originally borrowed from unaffiliated U.S. persons (part of line 11).....	100	100	0	(*)	100

* Not applicable.

1. Funds supplied by foreign direct investors to U.S. affiliates making investments.

6. The remaining 105 investors, with outlays of \$0.7 billion, were concentrated, by country of foreign parent, in Germany (12 investors, \$273 million), the United Kingdom (7 investors, \$104 million), and the Netherlands Antilles (40 investors, \$185 million). Efforts to identify the UBO's of these investments are continuing.

Table 6.—Acquisitions of Incorporated U.S. Business Enterprises: Investment Outlays, 1979, by Method of Acquiring Ownership Interests

(Millions of dollars)

	Total	By type of investor	
		Foreign direct investors	U.S. affiliates
All methods.....	8,206	730	8,172
Directly from acquired U.S. business enterprise.....	347	207	140
From affiliated U.S. persons.....	(b)	0	(b)
From other U.S. persons, total.....	(b)	484	(b)
On open market.....	(b)	36	(b)
By tender offer.....	1,620	73	1,848
Other.....	6,320	333	5,867
From foreign persons.....	(b)	118	(b)
Other.....	100	26	126

^a Suppressed to avoid disclosure of data of individual companies.

and by affiliated U.S. persons (\$0.8 billion).

Foreign-source funds totaled \$6.2 billion, of which \$1.6 billion was borrowed from unaffiliated foreigners, mainly financial institutions. The re-

mainder was almost entirely provided by foreign direct investors \$1.2 billion of internally generated funds and \$3.3 billion of funds supplied to U.S. affiliates.

By type of investor, one-half of investment outlays by U.S. affiliates was financed with foreign-source funds, mainly funds from foreign direct investors. One-fourth of outlays by foreign direct investors was financed with U.S.-source funds, mainly funds borrowed from unaffiliated U.S. persons.

Data in the addenda to table 5 provide more information on the role of U.S. financial markets in financing investments made by U.S. affiliates. They show that unaffiliated U.S. persons were the original source for \$173 million (31 percent) of the \$555 million supplied by affiliated U.S. persons, and for \$190 million (6 percent) of the \$3,813 million supplied by foreign direct investors.

For acquisitions of incorporated U.S. business enterprises, table 6 shows investment outlays classified according to

the method used to acquire ownership interests. Acquisitions of incorporated enterprises accounted for \$9.0 billion—nearly four-fifths—of total outlays in 1979. Most of the ownership interests were acquired from unaffiliated U.S. persons—a very small amount by open market transactions, \$1.9 billion by tender offer, and \$6.3 billion by other methods, primarily private purchases of large blocks of stock. About \$0.1 billion was acquired from foreigners.

Operations of Acquired or Established U.S. Business Enterprises

This section discusses the size and activities of the U.S. business enterprises acquired or established in 1979. The data include: (1) selected operating data—total assets, plant and equipment (net book value and expenditures), exploration and development expenditures, sales, net income, employment, and employee compensation—classified by the industry of the enter-

Table 7.—Total Assets of U.S. Business Enterprises Acquired or Established in 1979, Country of Foreign Parent¹ by Industry of U.S. Business Enterprise

(In millions of dollars)

	All industries	Agriculture and forestry	Mining	Petroleum	Manufacturing	Wholesale trade	Retail trade	Banking	Finance except banking	Insurance	Real estate	Other
All countries.....	23,688	304	333	4,172	4,980	872	1,949	12,784	(b)	(b)	1,445	483
Developed countries.....	27,942	45	(b)	4,144	3,577	(b)	1,349	(b)	(b)	(b)	1,324	361
Canada.....	607	1	(b)	(b)	217	31	(b)	0	(b)	(b)	216	28
Europe.....	20,540	04	49	4,007	3,147	465	(b)	(b)	(b)	(b)	1,053	240
European Communities (9).....	23,580	53	49	4,007	3,423	402	1,965	(b)	(b)	(b)	1,008	(b)
Belgium and Luxembourg.....	262	(b)	(b)	(b)	(b)	(b)	(b)	0	0	0	(b)	1
France.....	1,278	3	0	2	(b)	(b)	(b)	0	0	0	(b)	0
Germany.....	3,878	25	(b)	(b)	833	64	(b)	0	0	0	261	0
Italy.....	1	0	0	0	0	1	0	0	0	0	0	0
Netherlands.....	5,454	(b)	(b)	3,881	199	(b)	4	(b)	(b)	(b)	419	(b)
Denmark and Ireland.....	0	0	0	0	0	0	0	0	0	0	0	0
United Kingdom.....	11,020	10	26	71	467	264	(b)	(b)	(b)	(b)	361	(b)
Other Europe.....	2,841	8	0	0	728	64	(b)	0	0	4	17	(b)
Sweden.....	(b)	0	0	0	(b)	(b)	0	0	0	0	0	0
Switzerland.....	726	2	0	0	342	43	(b)	0	0	4	8	(b)
Other.....	(b)	6	0	0	(b)	(b)	0	(b)	0	0	0	0
Japan.....	544	3	0	(b)	(b)	(b)	(b)	0	(b)	8	14	(b)
Australia, New Zealand, and South Africa.....	50	0	0	0	(b)	5	0	0	0	0	1	(b)
Developing countries.....	1,646	39	(b)	28	583	(b)	0	(b)	3	0	699	27
Latin America.....	1,514	38	(b)	28	(b)	(b)	0	0	2	0	608	(b)
Panama.....	21	0	0	0	0	0	0	0	0	0	21	0
Bahamas.....	4	0	0	0	0	0	0	0	0	0	0	0
Bermuda and British Islands, Caribbean.....	64	1	(b)	3	(b)	5	0	0	0	0	(b)	0
Netherlands Antilles.....	1,299	33	(b)	22	(b)	(b)	0	0	3	0	110	(b)
Other.....	135	1	(b)	0	117	0	0	0	0	0	(b)	0
Other developing.....	132	0	0	2	(b)	0	0	(b)	0	0	39	(b)
Israel.....	0	0	0	0	0	0	0	0	0	0	0	0
Other Middle East.....	65	0	0	2	(b)	0	0	0	0	0	34	(b)
Other Africa, Asia, and Pacific.....	66	0	0	0	(b)	0	0	(b)	0	0	0	0
Addendum:												
OPEC.....	67	1	0	3	(b)	0	0	0	0	0	25	(b)

^a Less than \$500,000.

^b Suppressed to avoid disclosure of data of individual companies.

1. The foreign parent is the first foreign person in the ownership chain of the acquired or established U.S. business enterprise. Classification is based on the country of the foreign parent with the largest ownership interest.

Table 8.—Selected Operating Data of U.S. Business Enterprises Acquired in 1979, by Industry of U.S. Business Enterprise and by Country of Foreign Parent¹

	Total assets	Plant and equipment, net	Plant and equipment expenditures	Exploration and development expenditures	Sales ²	Net income	Employee compensation	Employment
	Millions of dollars							Number
Total	27,432	2,875	673	71	19,370	411	1,545	233,259
By industry								
Agriculture and forestry.....	29	0	2	0	14	-1	1	304
Mining.....	127	32	6	(*)	50	13	20	1,281
Petroleum.....	4,125	285	80	55	450	58	52	2,936
Manufacturing.....	2,678	1,049	215	(*)	6,071	285	1,200	82,680
Food and kindred products.....	806	114	17	0	792	18	79	5,844
Paper and allied products.....	(*)	(*)	1	0	(*)	2	(*)	(*)
Chemicals and allied products.....	384	185	21	(*)	581	37	107	6,081
Industrial.....	100	63	11	0	348	22	51	2,890
Drugs.....	90	22	6	0	124	9	27	2,053
Other.....	72	26	3	(*)	189	8	19	1,128
Primary metal industries.....	(*)	(*)	7	0	232	4	50	2,789
Fabricated metal products.....	280	117	22	0	502	-8	145	8,664
Machinery, except electrical.....	300	32	20	0	200	8	67	4,883
Electric and electronic equipment.....	588	152	26	0	837	19	229	17,029
Other.....	1,734	428	108	(*)	(*)	121	(*)	(*)
Wholesale trade.....	431	68	29	0	1,006	18	102	7,090
Motor vehicles and automotive parts and supplies.....	106	(*)	(*)	0	253	5	24	1,898
Metal and minerals.....	98	(*)	(*)	0	195	8	12	612
Farm-product raw materials.....	8	0	0	0	0	0	0	0
Other.....	237	32	8	0	582	8	85	4,428
Retail trade.....	1,840	685	128	0	8,889	-52	1,315	96,077
Banking.....	12,780	(*)	(*)	0	949	64	181	13,188
Finance, except banking.....	(*)	(*)	6	0	(*)	(*)	(*)	(*)
Insurance.....	(*)	(*)	2	0	473	(*)	(*)	(*)
Real estate and combined offices.....	849	504	(*)	(*)	164	8	5	282
Other.....	428	129	51	(*)	(*)	21	396	33,437
By country								
Developed countries	18,572	2,649	641	(*)	15,205	392	1,292	217,497
Canada.....	649	145	31	2	578	18	104	7,424
Europe.....	25,628	2,325	594	(*)	17,150	361	9,696	202,762
European Communities (9).....	22,788	2,006	530	(*)	14,389	301	2,724	175,038
Belgium and Luxembourg.....	704	50	20	4	647	3	(*)	6,245
France.....	3,240	254	64	0	(*)	(*)	(*)	20,727
Germany.....	3,847	950	197	6	9,078	(*)	1,230	95,407
Italy.....	0	0	0	0	0	0	0	0
Netherlands.....	6,236	340	86	(*)	(*)	183	133	11,213
Denmark and Ireland.....	0	0	0	0	0	0	0	0
United Kingdom.....	11,714	475	172	2	2,505	128	645	35,246
Other Europe.....	2,883	230	58	(*)	1,601	80	372	26,624
Sweden.....	(*)	(*)	(*)	0	(*)	(*)	(*)	(*)
Switzerland.....	684	140	32	(*)	1,818	48	253	17,712
Other.....	(*)	(*)	(*)	0	(*)	(*)	53	(*)
Japan.....	454	50	12	0	253	19	(*)	(*)
Australia, New Zealand, and South Africa.....	50	19	3	0	132	5	(*)	(*)
Developing countries	860	333	32	(*)	1,865	19	253	15,662
Latin America.....	570	(*)	31	(*)	1,046	28	247	13,457
Panama.....	1	0	0	0	0	0	0	0
Bahamas.....	0	0	0	0	0	0	0	0
Bermuda and British Islands.....	29	1	(*)	0	(*)	(*)	(*)	(*)
Caribbean.....	785	296	27	(*)	944	(*)	206	12,571
Netherlands Antilles.....	90	(*)	4	0	(*)	(*)	(*)	(*)
Other.....	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
Other Developing.....	89	(*)	1	(*)	19	(*)	6	235
Israel.....	(*)	0	0	0	0	0	0	0
Other Middle East.....	(*)	(*)	(*)	0	15	(*)	4	(*)
Other Africa, Asia, and Pacific.....	(*)	(*)	1	(*)	4	(*)	1	(*)
Addendum:								
OPEC.....	(*)	(*)	(*)	0	15	(*)	5	(*)

* Less than \$500,000.

† Suppressed to avoid disclosure of data of individual companies.

1. The foreign parent is the first foreign person in the ownership chain of the acquired U.S. business enterprise. Classification is based on the country of the foreign parent with the largest ownership interest.

2. Sales of gross operating revenue, excluding sales taxes.

prise and by the country of the foreign parent; (2) land and mineral rights owned and leased and the gross book value of land and of plant and equipment, classified by primary use; and (3) equity and debt structure.

Unlike the data on investment outlays, which relate only to the equity interests obtained as a result of the investment transactions, these data cover the total operations of the acquired or established enterprises. For example, if a foreign direct investor acquired 25 percent of a U.S. business enterprise, the data on investment outlays would reflect that 25 percent equity investment; however, 100 percent of the acquired enterprise's assets (and sales, employment, etc.) would be included in the operating data discussed in this section.

For both the selected operating data and the data by primary use, the time period covered for acquired enterprises differs from that for established enterprises. Data for acquisitions are actual data for (or as of the end of) 1978; data for establishments are projected data for (or as of the end of) the first full year of operation. At the date of establishment, the books of a newly established enterprise may reflect only its initial capitalization; thus, projected data for a full year of operation are likely to provide a better measure of the enterprise's size, scope, and significance to the U.S. economy.

Because of this difference in coverage, data for acquisitions and establishments are presented and discussed separately. However, to indicate the size of all enterprises acquired and established in 1979, data on total assets of both are aggregated in table 7 without regard to the difference in time periods covered.

Total assets of all U.S. business enterprises acquired and established in 1979 were \$29.6 billion. Banking was by far the largest industry, with assets of \$12.8 billion. In both petroleum and manufacturing, assets were \$4.2 billion. Most of the remaining assets were in retail trade, insurance, and real estate, each with assets of about \$2.0 billion.

As with investment outlays, almost all assets were accounted for by enterprises with foreign parents in devel-

oped countries. Assets of enterprises with British parents were \$11.9 billion, the highest for any country; they were concentrated in banking. Enterprises with parents in the Netherlands had assets of \$8.5 billion; about 60 percent were in petroleum, and the remainder was concentrated in banking, insurance, and real estate. Enterprises with German parents had assets of \$3.7 billion, mainly in retail trade, insurance, and manufacturing.

Among enterprises with parents in developing countries, those with parents in the Netherlands Antilles had the largest assets—\$1.3 billion. One-half of the total was in real estate. The available data on UBO's, discussed above, suggest that a substantial portion of these assets may be owned beneficially by investors in other countries.

Acquisitions

Acquired enterprises had total assets of \$27.5 billion—93 percent of total assets of all acquired and established enterprises (table 8). Thus, the distributions of total assets of acquired enterprises by industry and by country are very similar to the distributions discussed above. The largest industry was banking; petroleum and manufacturing were next. Within manufacturing, almost one-half of total assets (\$1.7 billion of \$3.7 billion) was in "other," of

which a large share was accounted for by the U.S. truck manufacturer in which a French direct investor acquired a small minority interest. By country, enterprises with parents in developed countries accounted for almost all assets. The largest were held by the United Kingdom, the Netherlands and Germany.

Generally, the country and industry distributions of other items shown in table 8 are similar to those for total assets. The major exception is that acquired enterprises in banking (mainly with foreign parents in the United Kingdom) accounted for a much larger share of total assets than of other items. The following discussion focuses on aspects of the other items that differ from those of total assets covered above.

Plant and equipment, net of accumulated depreciation, was \$2.9 billion for acquired enterprises, slightly more than 10 percent of their total assets. This percentage is low compared with that for all U.S. businesses generally, because a substantial share of the assets of acquired enterprises were in industries—banking, other finance, insurance, and wholesale trade—in which plant and equipment is usually a small portion of total assets. Also, in petroleum, an industry in which net plant and equipment is usually a large portion of total assets, major 1979 acquisitions primarily resulted in acquisitions

of property (land and mineral rights) rather than plant and equipment.

In manufacturing, net plant and equipment was \$1.0 billion, about 30 percent of total assets. Within manufacturing, it was highest in "other" (\$0.4 billion), primarily in the motor vehicle and parts industry. In real estate, more than 50 percent of total assets was accounted for by net plant and equipment, most of which represented the value of acquired structures (office buildings, shopping centers, etc.).

Plant and equipment expenditures by acquired enterprises were \$0.7 billion. Most of the spending was in manufacturing, retail trade, and real estate. Petroleum and mining exploration and development expenditures were \$0.1 billion.

Sales by acquired enterprises were \$19.3 billion. Almost one-half (\$8.9 billion) was in retail trade, largely reflecting the acquisition of a major U.S. retail food chain by a U.S. affiliate of a German direct investor. Most of the remainder was in manufacturing, mainly in food, electric and electronic equipment, and "other." In petroleum, sales were relatively small, despite large total assets, because major acquisitions primarily consisted of undeveloped property holdings.

Net income of acquired enterprises was \$0.4 billion; one-half of the total was in manufacturing. Net income was only 2 percent of sales, partly reflecting low (or negative) rates of return on equity among the acquired enterprises. In retail trade, for example, the major U.S. food chain acquired in 1979 had a substantial loss in 1978. (Depressed market values of firms in weak financial condition make them attractive candidates for acquisition, if potential buyers believe that profitability can be substantially improved through injections of capital, technology, management expertise, etc.)

Acquired enterprises employed 233,000 persons (part-time and full-time) and total employee compensation (wages and salaries plus employee benefit plans) was \$3.5 billion. By industry, the largest number of employees—86,000—was in retail trade; manufacturing accounted for 83,000, mainly in elec-

Table 9.—Acres of Land and Mineral Rights, and the Gross Book Value of Land and Plant and Equipment of U.S. Business Enterprises Acquired in 1979, by Primary Use

	Acres of land owned	Acres of mineral rights owned	Acres of land and mineral rights leased	Gross book value of land	Gross book value of plant and equipment
	Number			Millions of dollars	
Total.....	124,644	6,832	(P)	4,079	2,994
Agricultural.....	44,133	0	(P)	58	150
Timberland.....	1,694	0	0	1	0
Crude petroleum and natural gas.....	0,044	673	(P)	3,479	184
Coal.....	2,940	2,730	(P)	4	0
Uranium and other energy resources.....	0	0	0	0	0
Other natural resources.....	16,992	3,490	3,281	11	51
Petroleum refining and related products.....	80	0	10	1	(P)
Other industrial.....	12,700	0	540	100	1,785
Transient lodging and recreational facilities.....	917	0	8	8	38
Other residential.....	2,092	0	67	87	178
Other commercial and business.....	4,219	0	2,812	198	1,457
Unimproved land held for investment.....	15,036	0	(P)	112	4
Other.....	28,081	0	0	20	89

P Suppressed to avoid disclosure of data of individual companies.

tric and electronic equipment and "other."

Table 9 shows, for acquired enterprises, acres of land and mineral rights owned and leased and the gross book value of land and of plant and equipment, by primary use. Acquired enterprises owned 125,000 acres of land; about one-third—43,000 acres—was used for agriculture. Although more than two dozen acquired enterprises owned agricultural land, most held less than 2,000 acres. By far the largest single transaction involving agricultural land was the acquisition of a U.S. petroleum company that also had operations in agriculture.

The remaining 82,000 acres were spread over a number of primary use categories. One-fifth was devoted to extracting "other natural resources" (other than timber, oil, gas, coal, uranium, and other energy resources) and another one-fifth was unimproved land held for investment. Most of the 13,000 acres used for "other industrial" purposes were held by manufacturing enterprises.

Acquired enterprises owned 7,000 acres of mineral rights, mainly for extracting coal and "other natural resources." They also leased roughly 5 million acres of land and mineral rights, mainly for extracting crude petroleum and natural gas. (Because acquisitions by a single U.S. affiliate accounted for a very high percentage of total acreage of land and mineral rights leased, the data cannot be shown for reasons of confidentiality.)

The gross book value of land owned by acquired enterprises was \$4.1 billion.^a By primary use, most of the value was in land devoted to extracting crude petroleum and natural gas, reflecting the high value of crude oil reserves held by acquired enterprises.

The gross book value of plant and equipment was \$4.0 billion. By primary use, \$1.8 billion was devoted to "other industrial" uses, mainly by manufacturing enterprises, and \$1.5 billion was devoted to "other commercial and busi-

Table 10.—Selected Operating Data of U.S. Business Enterprises Established in 1979, by Industry of U.S. Business Enterprise and by Country of Foreign Parent¹

	Total assets	Plant and equipment, net	Plant and equipment, expenditures	Exploration and development expenditures	Sales ²	Net income	Employee compensation	Employment
	Millions of dollars							Number
Total.....	2,056	875	266	20	379	16	121	6,384
By industry								
Agriculture and forestry.....	69	6	(*)	(*)	5	(*)	1	(*)
Mining.....	(*)	(*)	3	1	(*)	(*)	3	(*)
Petroleum.....	57	(*)	(*)	15	(*)	(*)	2	(*)
Manufacturing.....	482	152	101	(*)	449	7	68	4,897
Food and kindred products.....	(*)	(*)	(*)	0	(*)	1	(*)	0
Paper and allied products.....	(*)	0	0	0	(*)	0	0	(*)
Chemicals and allied products.....	(*)	21	2	(*)	(*)	3	(*)	(*)
Industrial.....	(*)	(*)	1	(*)	(*)	0	1	(*)
Drugs.....	(*)	(*)	1	0	(*)	0	(*)	(*)
Other.....	(*)	(*)	0	0	(*)	0	(*)	3
Primary metal industries.....	(*)	3	4	(*)	(*)	(*)	1	160
Fabricated metal products.....	57	33	(*)	0	40	1	3	445
Machinery, except electrical.....	16	3	3	0	(*)	2	(*)	(*)
Electric and electronic equipment.....	(*)	(*)	2	0	23	(*)	10	241
Other.....	71	(*)	0	0	(*)	(*)	(*)	(*)
Wholesale Trade.....	141	(*)	1	0	237	-11	10	371
Motor vehicles and automotive parts and supplies.....	8	0	0	0	0	0	0	0
Metals and minerals.....	(*)	(*)	(*)	0	(*)	-1	(*)	(*)
Farm-product raw materials.....	(*)	(*)	1	0	(*)	-11	(*)	(*)
Other.....	(*)	(*)	0	0	(*)	(*)	(*)	(*)
Retail trade.....	(*)	1	(*)	0	(*)	1	4	(*)
Banking.....	(*)	(*)	0	0	(*)	(*)	(*)	(*)
Finance, except banking.....	46	0	0	0	(*)	(*)	0	0
Insurance.....	(*)	0	0	0	(*)	1	1	(*)
Real estate and combined offices.....	1,087	404	61	4	104	10	3	234
Other.....	35	5	1	0	7	1	2	123
By country								
Developed countries.....	1,376	424	126	16	728	(*)	196	5,327
Canada.....	358	140	(*)	(*)	(*)	(*)	(*)	(*)
Europe.....	528	239	63	(*)	554	8	58	3,818
European Communities (b).....	362	245	58	(*)	(*)	6	52	(*)
Belgium and Luxembourg.....	67	(*)	(*)	1	72	3	(*)	(*)
France.....	20	(*)	3	0	(*)	(*)	(*)	(*)
Germany.....	245	73	6	(*)	52	3	6	1,115
Italy.....	1	(*)	(*)	0	0	(*)	(*)	(*)
Netherlands.....	218	71	(*)	0	49	3	1	(*)
Denmark and Ireland.....	0	0	0	0	0	0	0	0
United Kingdom.....	272	55	(*)	0	201	1	24	1,213
Other Europe.....	58	14	4	0	(*)	2	(*)	(*)
Sweden.....	(*)	3	4	0	(*)	(*)	5	(*)
Switzerland.....	41	10	(*)	0	(*)	(*)	4	(*)
Other.....	(*)	1	1	0	3	(*)	(*)	3
Japan.....	90	24	(*)	(*)	(*)	(*)	(*)	(*)
Australia, New Zealand, and South Africa.....	1	0	0	0	0	0	0	0
Developing countries.....	680	252	64	4	251	10	15	327
Latin America.....	644	245	64	4	(*)	7	14	285
Panama.....	21	3	0	0	(*)	(*)	0	0
Bahamas.....	4	0	0	0	0	0	0	0
Bermuda and British Islands.....	34	(*)	(*)	0	(*)	(*)	(*)	16
Caribbean.....	536	224	58	1	(*)	1	(*)	(*)
Netherlands Antilles.....	49	(*)	(*)	0	(*)	1	(*)	(*)
Other.....	48	7	(*)	0	(*)	2	1	63
Other Developing.....	0	0	0	0	(*)	(*)	(*)	(*)
Israel.....	29	3	0	0	(*)	(*)	(*)	(*)
Other Middle East.....	14	3	(*)	0	(*)	(*)	1	(*)
Other Africa, Asia, and Pacific.....	(*)	(*)	(*)	0	(*)	(*)	(*)	(*)
Addendum:								
OPEC.....	20	8	0	0	3	2	(*)	(*)

^a Less than \$500,000.

^b Suppressed to avoid disclosure of data of individual companies.

1. The foreign parent is the first foreign person in the ownership chain of the established U.S. business enterprise. Classification is based on the country of the foreign parent with the largest ownership interest.

2. Sales or gross operating revenues, excluding sales taxes.

3. The gross book value includes the value of all land owned, regardless of where carried in the balance sheet of the acquired company.

ness" uses, mainly by enterprises in retail trade, banking, other finance, and insurance.

Establishments

Total assets of U.S. business enterprises established in 1979 were \$2.1 billion (table 10). By industry, one-half of the total was in real estate; most of the remainder was in mining, manufacturing, and wholesale trade. Net plant and equipment, at \$0.7 billion, was also concentrated in real estate. By country, both total assets and net plant and equipment were largest for countries of parents having substantial real estate investment—Canada, Germany, the Netherlands, the United Kingdom, and the Netherlands Antilles.

Expenditures for plant and equipment by established enterprises were \$0.2 billion; one-half of the total was in manufacturing. Sales, at \$1.0 billion, and employment, at 7,000, were also concentrated in manufacturing. The single largest newly established manufacturing enterprise—in terms of both sales and employment—was in electric and electronic equipment; it was established by a U.S. affiliate of a Canadian company.

There were substantial sales in wholesale trade, mainly by an enterprise established by a British direct investor. This enterprise, and one in retail trade established by a German direct investor, also accounted for substantial employment.

In contrast to most measures, the number of acres of land owned by established enterprises—235,000—was much larger than that owned by acquired enterprises (table 11). The relatively large acreage owned by established enterprises primarily reflected classification of purchases of U.S. land as establishments. There were a large number of such purchases in 1979—about 80 percent of the 408 investments classified as establishments were U.S. land purchases. Most involved few acres. The largest purchase—involving more than 50,000 acres—was of unimproved land held for investment. Only two other purchases involved more than 10,000 acres; one was of agricultural

Table 11.—Acres of Land and Mineral Rights, and the Gross Book Value of Land and Plant and Equipment, of U.S. Business Enterprises Established in 1979, by Primary Use

	Acres of land owned	Acres of mineral rights owned	Acres of land and mineral rights leased	Gross book value of land	Gross book value of plant and equipment
	Number			Millions of dollars	
Total.....	235,254	(*)	661,661	408	711
Agriculture.....	85,524	0	(*)	84	5
Timberland.....	35,153	0	0	10	1
Crude petroleum and natural gas.....	16	3,509	(*)	(*)	(*)
Coal.....	14,552	(*)	(*)	(*)	(*)
Uranium and other energy resources.....	0	0	0	0	0
Other mineral resources.....	3,753	0	(*)	(*)	1
Petroleum refining and related products.....	0	0	0	0	1
Other industrial.....	2,664	0	15	34	123
Transient lodging and recreational facilities.....	323	0	0	2	(*)
Other residential.....	4,740	0	0	57	47
Other commercial and business.....	3,734	0	10	125	407
Unimproved land held for investment.....	21,020	0	0	185	1
Other.....	4,268	0	0	20	2

* Less than \$500,000.

† Suppressed to avoid disclosure of data of individual companies.

land, the other of land devoted to coal mining.

Established enterprises leased 662,000 acres of land and mineral rights, most of which were devoted to extracting crude petroleum and natural gas.

Equity and debt structure

The equity and debt structure of acquired and established U.S. business enterprises is shown in table 12. The data are based on the books of the enterprises immediately after acquisition or establishment. They cover all established enterprises but only acquired enterprises that continued to be operated as separate legal entities after acquisition. There were 267 of these acquisitions, representing investment outlays of \$3.8 billion, compared with 889 total acquisitions and \$10.4 billion.

Total equity of incorporated enterprises was \$6.4 billion. Most was in the form of additional paid-in-capital (\$4.2 billion) and retained earnings (\$1.7 billion); capital stock was \$0.5 billion. U.S. affiliates directly held 67 percent of the total. In contrast, foreign direct investors directly held 58 percent of the \$0.8 billion total equity of unincorporated enterprises.

Total debt of \$13.8 billion was almost entirely owed to persons other than foreign direct investors or their U.S. affiliates. A significant portion of this debt to "other persons" was to financial in-

stitutions, mainly in the United States; also important were time and demand deposit liabilities of acquired U.S. banks.

Technical Note

The data on U.S. business enterprises acquired or established by foreign direct investors presented in this article supplement other BEA data on foreign

Table 12.—Equity and Debt Structures of U.S. Business Enterprises Acquired and Established in 1979

	Total	Shares held directly by, or debt owed to:		
		Foreign direct investors	U.S. affiliates	Other persons
Equity, total.....	7,212	1,534	4,452	1,185
Incorporated U.S. business enterprises, total.....	6,488	1,127	4,202	1,014
Capital stock, total.....	548	283	212	90
Voting.....	502	225	(*)	(*)
Nonvoting.....	41	7	(*)	(*)
Additional paid-in-capital.....	4,218	594	3,107	503
Retained earnings.....	1,677	381	974	312
Unincorporated U.S. business enterprises.....	790	497	161	161
Debt, total.....	13,767	667	289	12,811
Short-term.....	8,504	181	207	8,116
Long-term.....	5,163	387	100	4,676
Addendum: Treasury stock of incorporated U.S. business enterprises.....	-24	(*)	(*)	(*)

† Suppressed to avoid disclosure of data of individual companies.

* Not applicable.

1. Includes only those acquired U.S. business enterprises that continued to be operated as separate legal entities after acquisition.

direct investment in the United States. Data on the foreign direct investment position and related capital and income flows are published annually, usually in the August *SURVEY OF CURRENT BUSINESS*.⁹ Capital and income flow data are also published in the quarterly *SURVEY* articles on U.S. international transactions. The capital flow data in those articles include inflows from foreign parents to acquire or establish U.S. business enterprises, although such inflows cannot be entirely separated from other capital flows. The inflows represent only the portion of investment outlays financed by foreign parents' funds. The data presented in this article cover the full cost of the acquisition or establishment, regardless of how it was financed. In addition, this article provides data on UBO's which are not available elsewhere.

BEA has recently begun to publish selected annual data on the operations of existing foreign-owned U.S. business enterprises.¹⁰ This article, for the first time, provides information on the operations of newly acquired or established U.S. business enterprises.

If new investments reported in the survey of acquisitions and establishments are large enough to meet reporting requirements, they must be reported in BEA's other foreign direct investment surveys, i.e., the quarterly survey of capital and income flows and the annual survey of operating data. Because the survey of acquisitions and establishments was instituted only recently, its data are not yet fully integrated with those of the other surveys.

Other data on foreign direct investment activity in the United States are periodically published by the Commerce

Department's International Trade Administration (ITA).¹¹ ITA compiles publicly available information on a wide range of investment activities, including acquisitions, establishments, mergers, plant expansions, and divestitures, and publishes the information on a current and timely basis. The ITA data may cover transactions that have been announced, but not consummated, or that have been reported but not necessarily confirmed. Because the data are from public sources, they include the names and addresses of U.S. affiliates and of foreign direct investors, when available. The BEA data presented here, however, cover only acquisitions and establishments that have actually taken place. As with all data reported to BEA, company names and addresses cannot be released because of strict confidentiality requirements.

9. See, for example, William E. Chong and Gregory G. Foush, "Foreign Direct Investment in the United States in 1979," August 1980.

10. See Ned G. Howenstein, "Selected Data on the Operations of U.S. Affiliates of Foreign Companies, 1977," July 1980.

11. See, for example, U.S. Department of Commerce, International Trade Administration, *Foreign Direct Investment Activity in the United States, 1979 Transactions*, September 1980.